



STATE BANK OF INDIA

Sustainability and Business Responsibility (BR) Policy

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Sustainability, ESG & CFU Department

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SUSTAINABILITY AND BUSINESS RESPONSIBILITY (BR) POLICY

1. Introduction

State Bank of India (SBI) is one of the country's oldest establishments and a premier institution in the financial sector. Its presence spans across more than two centuries, and the SBI group currently has a footprint across several countries.

The financial sector is one that is in a constant state of flux, necessitating change and transformation as and when required. The Bank is committed to be an agent of positive change and understands that growing its business sustainably is the foundation for creating long-term value for all stakeholders. Recognizing “*Sustainability*” as one of its core values, SBI is focused on offering products and services in a responsible manner that proves beneficial for the stakeholders, whilst simultaneously taking the social and environmental impact of Bank's activities into account.

SBI's *Sustainability and Business Responsibility (BR) Policy* outlines the Bank's commitment to adapt and operate efficiently and sustainably in a dynamic environment characterized by both risks and opportunities. The Bank is continuously evaluating avenues for mitigating risks and seizing opportunities. SBI's operations are envisioned to adhere and comply with its Five (5) core values – Service, Transparency, Ethics, Politeness & Sustainability (*STEPS*) thereby continuing to nurture a working culture that binds this large organization together. SBI is committed to extend its services in an ethical, fair, and sustainable manner to the community at large with an underlying vision to emerge as the Bank of choice for a Transforming India.

The Bank's multi-faceted business model is rapidly evolving to concurrently meet several requirements, such as enhancing customer satisfaction, increasing focus on digitization, contributing to national development goals, developing communities, improving financial literacy and inclusion amongst underprivileged people, reducing the carbon footprint of its operations and aligning its initiatives to the Sustainable Development Goals (SDGs).

The Bank has been implementing several initiatives across operations to reduce its carbon footprint and design products and services taking in to account environmental and social causes also. As an organization that is supported by a large employee base across India, SBI understands that its sustainability strategy will be successful only if it is proactively adopted by all employees. In light of this, the Bank undertakes several steps towards creating awareness and capacity building among employees on sustainability. Employees are also encouraged to engage in the Bank's activities e.g Observance of World Environment Day and demonstrate sustainable behaviour.

2.Objective and Scope of the Sustainability and Business Responsibility (BR) Policy

The primary objective of the Policy is to direct SBI's sustainability strategy and integrate it with its business strategy. The Policy also identifies the Bank's environmental, social and governance focus areas and outlines the general principles on which its sustainability initiatives will be designed and implemented.

This Policy outlines SBI's approach to manage its economic, environmental, and social performance in an integrated manner, and will help ensure that internationally accepted standards and best practices are applied when identifying, assessing and monitoring environmental, social and governance risks with respect to the Bank's business operations. The Policy also addresses aspects covered by the Nine (9) principles defined by the National Guidelines on Responsible Business Conduct (NGRBC), published by the Ministry of Corporate Affairs, Government of India in March,2019.

Bank has established a dedicated ESG and Climate Finance Unit to facilitate the achievement of the long-term goals of the Bank in ESG and Climate Finance. The Unit shall be guided by:

- The mission to achieve Carbon Neutrality by 2030 in Scope 1 & 2 emissions. The Bank will make requisite efforts towards reducing the carbon footprint of its own operations by enhancing the consumption of renewable energy, promoting sustainable practices on the demand side and retiring carbon offsets for the residual emissions.
- The Bank also is committed to ensure that a minimum of 7.5% of its loan portfolio to be 'green' by the year 2030.
- The vision to achieve the Bank's Net Zero targets (Scope 1, 2, &3) for the Bank by 2055, Centenary year of SBI formation and developing the roadmap for achieving this vision. In this direction, the Bank will also be measuring its carbon footprint in its lending and investment portfolio using globally acceptable standards.

SBI aims to balance its business and sustainability performance and has, therefore, identified core Environmental, Social and Governance areas based on the National Guidelines for Responsible Business Conduct (NGRBC), engagement with both internal and external stakeholders for identifying material issues as well as positive/negative impact of its business operations; and assessment parameters by various national and international ESG rating entities. Through these identified ESG focus areas, the Bank shall simultaneously endeavour to achieve the underlying aspirations of the United Nations Sustainable Development Goals (UN SDGs). The identified objectives/aspects in the core areas are as follows:

2.1 Environmental Aspects

- Reduce the Bank's Greenhouse Gas (GHG) emissions in internal operations through the use of technology and innovation
- Enhance product and services delivery through digital banking platforms
- Implement energy conservation and energy efficiency initiatives with focus on installation of renewable energy infrastructure for our own operations
- Innovate continuously to develop financial products and services that enable environmental conservation as well as socioeconomic development
- Natural Resource Management including managing waste generation and disposal (hazardous and non-hazardous), reducing paper consumption and water footprint
- Adopt environmental best practices, including establishing an environmental management system. Conserve natural resources by adopting the "3 R" (*Reduce, Reuse and Recycle*) approach towards pollution prevention and effective waste disposal including electronic waste
- Adopt and integrate the energy and environment considerations for all new infrastructural facilities and obtaining relevant certifications wherever possible
- Support biodiversity and habitat conservation, prevent own operation's direct impact on the same, and comply with biodiversity and conservation-related laws and regulations
- Explore avenues and promote the transition to non-polluting transportation
- Make efforts to procure products which are environment- friendly, energy efficient and locally sourced

2.2 Social Aspects:

- Promote Human Rights through prohibition of human trafficking, forced labour, and child labour throughout all Bank operations including suppliers; safeguarding rights of freedom of association, equal remuneration, and collective bargaining, applying to all employees, permanent and contractual, and implementing processes, and remediation plans to address and mitigate human rights risks, among all stakeholders
- Encourage workforce diversity in terms of gender, race, ethnicity, and cultural backgrounds, and prohibit discrimination in the workplace
- Talent development and retention
- Establish a working environment that aids in nurturing employees, including the differently abled, and contributes to their overall professional development, while actively promoting a healthy work-life balance

- Constructive engagement with all internal and external stakeholders generating long-term value
- Increase access to banking services
- Promote financial inclusion and enhancing financial literacy
- Ensure customer satisfaction
- Customer Data privacy and robust cyber security mechanism
- Build empowered and sustainable communities, in line with national priorities of growth and development
- Establish strong grievance redressal mechanisms across stakeholder groups
- Enhance employee well-being and safety

2.3 Governance Aspects

- Implement ethical business practices, preventing fraud, corruption, bribery and facilitation payments
- Conduct banking transactions and other investments with professional integrity, conforming to the highest ethical standards and in compliance with the regulatory and other statutory requirements through a more holistic cultural approach to compliance
- ESG disclosures in accordance with regulatory guidelines
- Gradually and progressively adopt socially and environmentally sustainable policies and practices across value chain
- Integrate ESG (including climate change risk) into the Bank's lending and procurement processes and decisions
- Actively participate in dialogues and consultations with policy makers to influence policies that promote sustainable development, financial inclusion and responsible banking practices.
- Conduct day-to-day operations and business transactions in line with its mission to provide simple, responsive and innovative financial solutions in a responsible manner
- Identify and mitigate risks and identify opportunities for sustainable growth across all aspects of banking operations.
- Aid internal capacity creation necessary to address climate change mitigation and adaptation within our organisation

The Policy and its elements are applicable to all Departments/ Verticals and business units of SBI managing its domestic operations.

3.Integration of the Sustainability and Business Responsibility (BR) Policy with the Risk Management Framework

As a large banking institution, risks are inherently present in SBI's business activities. These can be related to the Bank's reputation, products and services, strategic decisions, market presence, operational activities, and environmental and social impact, to name a few areas. SBI believes that investing in sustainable businesses and practices can act as a robust tool to cohesively manage these risks.

Towards this, the Sustainability and Business Responsibility (BR) Policy will support the Bank's Risk management framework, identifying measures to mitigate risks arising from an evolving economic, environmental and social landscape. Credit appraisal mechanism should include examination of the environmental and social risks which have a bearing (present or potential) on the operations of the borrowing entity. An examination of following key considerations to form part of long-term credit decisions:

✓ Socio- Economic considerations: Capacity to create economic development in the region, adherence to labour laws/human rights. resettlement and rehabilitation of the local populace, CSR initiatives etc. to be critically examined.

✓ Environmental Considerations: Borrowing entity's outlook on Pollution management (Air, Water and Hazardous waste), ecological impact of operations, business continuity and disaster resolution arising out of any emergency.

4. Corporate Governance, Business Ethics and Sustainability

SBI mandates professional behaviour that encapsulates strong moral values. The ethos of the organization upholds zero tolerance towards unethical business practices. The Bank expects each of its employees to abide by its working culture by conducting themselves professionally, with integrity and in compliance with applicable laws and regulations. SBI is an equal opportunity employer adhering to the Equal Remuneration Act, 1976 and making no discrimination in remuneration on the basis of gender or any other form of diversity. The Bank remains committed to providing equal opportunities in employment and creating an inclusive workplace in which all employees are treated with respect and dignity. Bank's "*Equal Opportunity Policy for Persons with Disabilities*" is in accordance with the provisions of the "*The Rights of Persons with Disabilities Act,2016*". The Bank also upholds its employees' right to collective bargaining and provides opportunities for active engagement and consultation. Further, Bank's Corporate Governance practices are aimed at enforcing the right practices at all levels of functioning. The Bank has instituted a vigilance mechanism, which is built on three primary behavioural aspects – *Preventive, Punitive and Participative*. Additionally, the "*Conflict of Interest Policy*" envisages to serve as a mitigating and sensitizing measure for helping manage situations, which may involve serious ethical risks or have legal and regulatory consequences.

Implementation of the Sustainability and Business Responsibility (BR) Policy will also be supplemented inter alia by:

- ✓ **Bank's Code of Conduct & Code of Ethics:** The Code of Conduct and Code of Ethics apply to Bank's all employees, whether full-time, part-time or appointed on a contractual basis. These Codes lay principles of ethical business practices and prescribe adherence to applicable laws and regulations as a bare minimum requirement.
- ✓ **Whistle Blower Policy:** The Whistle blower policy allows any employee to communicate a concern or complaint confidentially and anonymously with an assurance that there will be no retribution or negative consequences.
- ✓ **Prevention of Sexual Harassment (PoSH) Policy:** To ensure safety and wellbeing of the workforce, a well-administered PoSH Policy is in place.
- ✓ **Climate Change Risk Management Policy:** To guide SBI to transition towards low carbon and climate resilient operations and investments.
- ✓ **ESG Financing Framework:** Handbook for issuance(s) of Green, Social, or Sustainable instruments (Bonds and/or Loans) which shall be used for the financing or refinancing of eligible assets / projects with environmental or social benefits.

5.Sustainability Governance Framework

5.1 For governing the sustainability matters at the Bank, the Deputy Managing Director & Chief Credit Officer (CCO), who is also the designated Chief Sustainability Officer (CSO), will oversee the overall environmental and social performance of the Bank, and steer its sustainability vision in the right direction. The execution of the Bank's sustainability-related issues is monitored by the Corporate Centre Sustainability Committee (CCSC) which comprises members drawn from varied Departments/Verticals/Business Units. Further, to bring additional focus to sustainability matters, the CCSC is further supported by 3 sub-committees:

- **Environment Sub-Committee:** Responsible for identifying opportunities and target setting for improvement in the areas of emissions, energy usage, water security and waste management.
- **Social & Governance Sub-Committee:** Responsible for scaling up workplace matters relating to Human Rights, ethical behaviour and Code of Conduct, grievance handling, gender diversity, training and development, corporate governance practices and stakeholder engagement.
- **Product & Services Sub-Committee:** Responsible for identifying business opportunities to make the Bank's products and services more inclusive, meeting

social aspirations and addressing concerns on environment protection and climate risk.

To percolate the Sustainability measures further, *Circle Sustainability Committees (CSC)* have also been established to monitor sustainability performance at the Circle level. The Sustainability Department, ESG & Climate Finance Unit at the Bank's Corporate Centre office is the Nodal Department to manage issues relating to the Bank's sustainability matters.

5.2 The Bank has instituted a '*Sustainability Pledge*', which draws strength from the Bank's vision to drive its sustainability agenda throughout the organization at all levels. Bank's entire workforce reiterates its commitment to this pledge while observing *World Environment Day (05th June)* every year.

5.3 Securities and Exchange Board of India (SEBI) vide circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated July 12,2023 has revised the reporting requirements and introduced the Business Responsibility and Sustainability Reporting (BRSR) Core, a subset of the BRSR, which consists of a set of Key Performance Indicators (KPIs) / metrics under nine ESG attributes. The BRSR seeks disclosures from listed entities on their performance against the Nine (9) principles of the 'National Guidelines on Responsible Business Conduct' (NGRBC) and reporting under each principle is divided in to essential and leadership indicators. The updated BRSR format including BRSR Core will replace the existing (BRSR) format. From FY 2023-24, the top 1000 listed entities (by market capitalization) shall make disclosures as per updated BRSR format incorporating new KPIs of BRSR Core as part of their annual report.

It is also required that the top 150 listed entities (by market capitalization) shall mandatorily undertake reasonable assurance of the BRSR Core for FY 2023-24.

On Governance, leadership and oversight on Business Responsibility matters, the BRSR disclosure inter-alia also mandates for mention of –

(i)Statement by the director responsible for the Business responsibility report, highlighting ESG related challenges, targets and achievements; and

(ii)Details of the highest authority responsible for implementation and oversight of the Business responsibility Policy(ies). Accordingly, in compliance with the SEBI mandate, MD (R, C & SARG) of the Bank will be entrusted with the Business Responsibility functions. (Reporting of DMD & CCO is to MD (R, C and SARG). For the Business Responsibility and disclosure requirements, Bank shall comply with the in-force guidelines and frameworks, issued by the appropriate regulatory authority/entity(ies).

5.4 The Sustainability and Business Responsibility (BR) Policy is valid for one year from the date of issue and shall be reviewed annually